86 D

TUNDRA GOLD
MINES LIMITED

ANNUAL REPORT
For the year ended March 31, 1966

Tundra Gold Mines Limited

Officers and Directors

OFFICERS

A. W. White	*President*
J. C. Byrne	*Vice-President and Managing Director*
H. R. Heard	*Secretary*
D. S. Hamilton	*Treasurer*

DIRECTORS

A. W. White	Toronto, Ont.
J. C. Byrne	Toronto, Ont.
J. J. Byrne	Toronto, Ont.
J. L. Ward	Oakville, Ont.
W. M. Connor	Cantley, Que.
H. R. Heard	Toronto, Ont.
L. V. Barbisan	Cooksville, Ont.

TRANSFER AGENTS

The Sterling Trusts Corporation
372 Bay Street
Toronto 1, Ontario

AUDITORS

Eddis & Associates
85 Richmond St. West
Toronto 1, Ontario

ANNUAL MEETING:

To be held in the New Brunswick Room, Royal York Hotel, Toronto, the 30th day of August, 1966, at 11:00 A.M., Toronto Time.

Tundra Gold Mines Limited

Directors Report to the Shareholders

We are pleased to submit the Annual Report of Tundra Gold Mines Limited for the year ended March 31, 1966. It includes reports on operations written by Mr. J. C. Byrne, the Managing Director of the company and by Mr. L. C. Dixon, Mine Manager, a report on ore developments written by Mr. Norman W. Byrne, P.Eng., Consulting Mining Engineer and financial statements of the company as of March 31, 1966, reported upon by Eddis & Associates, Chartered Accountants of the city of Toronto, auditors of the company.

The reports and financial statements present a comprehensive review of the company's progress for the year. You will note the gratifying improvement in the company's financial position resulting from the profitable operation experienced during this, our second year of production.

In order to locate and develop new sources of ore, the company is expanding its underground exploration to as great an extent as is deemed by the management to be sound.

In view of the high cost and extensive risk involved in conducting operations in the Tundra Mine area, your directors are of the opinion that the interests of shareholders are served best by conserving funds until the company accumulates an adequate treasury before complying with those sinking fund provisions attached to the preference shares which require the company to set aside 15% of the value of gold produced for redemption of preference shares. The terms and conditions associated with the preference shares provide that when unpaid dividends exceed $4.20 per share, preference shareholders have the right to elect 3/7 of the members of the board of directors.

Meetings of the shareholders of the company are to be held in the New Brunswick Room, Royal York Hotel, Toronto, Ontario, on Tuesday, August 30th, 1966. If you are unable to attend, but wish to be represented, kindly complete and return the form of proxy forwarded herewith to the secretary of the company at Suite 416, 25 Adelaide Street West, Toronto 1, Ontario.

Respectfully submitted on behalf of the Board,

A. W. WHITE,
President.

Toronto, Ontario.
July 8th, 1966.

Tundra Gold Mines Limited

Managing Director's Report

To the Shareholders:

The second year of production at Canada's farthest north gold mine came close to our preproduction objective of 36,000 ounces. The shortfall of some 3,000 ounces must be considered good when we take into account a serious and lengthy breakdown of the main diesel electric power plant and heavy labour turnover.

The increased milling rate, up from an average of 122 tons to 146 tons daily in the second year, compensated to a large extent for the grade of mill feed and also provided an opportunity to mine some lower grade sections of the Matthews Vein.

Grade of ore reserves at year end dictates a maximum target of 30,000 ounces of gold produced during the third year of production, milling at an average daily rate of 150 tons. With better grade stopes depleted, we must now accept lower grade mill feed.

As with all Canadian gold mines, operations at Tundra have been hampered by rising costs for labour and by an acute shortage of experienced miners and skilled labour in general. On the other hand, certain physical problems, some of them peculiar to this remote operation, have been solved or brought under control — permafrost conditions underground have not been troublesome; dilution in stoping is now being controlled; mill performance has come up to expectations; sufficient standby power units have now been installed to carry operations at near capacity should the primary unit be out of service; and winter truck freighting in the barren lands has proved eminently successful.

For the first quarter of the current fiscal year, April to June inclusive, production was 7,806 ounces of gold from milling 14,354 tons of ore, a daily rate of 157.5 tons grading 0.55 ounces per ton. Mill recovery was 97 per cent. Operating profit before provision for depreciation and debenture interest was $74,000. A reduction of 9,000 tons in broken ore reserves from 23,000 to 14,000 tons during the quarter was mainly the result of a very severe shortage of miners.

It is essential that new sources of 0.60 ounces or better grade ore be found within the next six months. This is particularly so in view of the rather disappointing results to date in development of the No. 2 Vein on the 1225 foot level.

It is a pleasure to express our sincere appreciation to Management, Staff and Crew for the efficient and conscientious manner in which they carried out the operations of your Company.

TUNDRA GOLD MINES LIMITED,

J. C. BYRNE,
Managing Director.

Toronto, Ontario,
July 7, 1966.

Tundra Gold

Balance Sheet as a

ASSETS		1965
Current:		
Bullion on hand and in transit	$ 107,321	$ 115,460
Receivable under the Emergency Gold Mining Assistance Act — estimated	118,760	87,216
Accounts receivable	13,939	
	240,020	202,676
Matthews Lake Property — Northwest Territories:		
Mining claims — acquired for cash and shares of capital stock at valuation placed thereon by directors	195,000	195,000
Buildings, machinery and equipment at cost less accumulated depreciation $409,629 (1966) — $202,736 (1965)	1,659,297	1,824,627
Mining supplies, at cost	425,706	488,687
Deferred exploration and development expenditures	512,324	512,324
	2,792,327	3,020,638
Other Mining Properties:		
Patented mining claims in Kenora Mining Division, Ontario, acquired for cash and shares of capital stock at valuation placed thereon by directors	23,535	23,535
Exploration and development expenditures	33,949	33,830
	57,484	57,365
Other Assets:		
Prepaid expenses	15,458	24,533
	$3,105,289	$3,305,212

Approved on behalf of the Board,

J. C. BYRNE, Director.

L. V. BARBISAN, Director.

AUDITOR

To the Shareholders,
Tundra Gold Mines Limited.

We have examined the balance sheet of Tundra Gold Mines Limited as at March 31, 1966 and the statements of operations and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that, in our opinion, the attached balance sheet and accompanying statements of operations and deficit present fairly the financial position of the company

Toronto, Canada,
June 24, 1966.

Mines Limited

March 31, 1966

LIABILITIES		1965
CURRENT:		
Bank loan and overdraft — secured	$ 10,791	$ 286,843
Accounts payable and accrued charges	94,330	205,589
Debenture interest payable	186,321	
	291,442	492,432
LONG-TERM:		
Income debentures payable — 6%, due April 1, 1970	1,175,000	1,175,000
Debenture interest payable		115,821
	1,175,000	1,290,821
CAPITAL STOCK:		
Authorized:		
100,000 6% (cumulative from January 1, 1962) convertible redeemable sinking fund preference shares of $35 par value each	3,500,000	
5,000,000 common shares of $1 par value each	5,000,000	
	$8,500,000	
Issued and fully paid:		
89,022 preference shares	3,115,770	3,118,745
1,496,566 common shares	1,496,566	1,493,591
	4,612,336	4,612,336
Deficit	2,973,489	3,090,377
	1,638,847	1,521,959
	$3,105,289	$3,305,212

The accompanying notes are an integral part of these financial statements and should be read in conjunction therewith.

EPORT

as at March 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, presents fairly the sources and application of funds of the company for the year ended March 31, 1966.

EDDIS & ASSOCIATES,
Chartered Accountants.

Tundra Gold Mines Limited

Notes to Financial Statements

As at March 31, 1966

1. 6% Income Debentures

The debentures contain various provisions and restrictions affecting, inter alia, payment of dividends and redemption of capital stock. Cumulative interest at 6% per annum is payable only out of operating profits as defined in the debentures.

2. Capital Stock

3,115,770 common shares of the capital stock of the company are reserved for issuance to holders of preference shares in accordance with the conversion privilege attached to the preference shares.

To date, 200 preference shares have been converted into common shares as follows:

Number of preference shares issued	89,222
Number of preference shares converted into common shares (85 during the current year)	200
Number of preference shares, presently outstanding	89,022

3. Dividends

No dividends have been declared or paid to date on the 6% preference shares. The unpaid dividends on these shares, which are cumulative from January 1, 1962, amount to $794,521 or $8.92½ per share as at March 31, 1966.

4. Depreciation

Depreciation on buildings, machinery and equipment has been calculated on a straight-line basis at the rate of 10% per annum.

5. Deferred Development

With regard to the deferred exploration and development expenditures of $512,324 shown on the balance sheet, the directors of the company have decided to carry this amount forward until such time as the company has taxable profits against which to apply it.

6. Sinking Fund

In accordance with the various conditions and restrictions attached to its preference shares, the company is required to set aside within 120 days after the end of each fiscal year an amount equal to the value of 15% of the gold produced during the fiscal year, as a sinking fund.

The company is required to apply the money thus set aside to the redemption of preference shares within 60 days after it is so set aside.

In the event that (a) the unpaid cumulative dividends exceed $4.20 per share or (b) the company fails to set aside the amount required on account of the sinking fund within 120 days after the end of the fiscal year or (c) the money set aside is not applied within 60 days to the redemption of preference shares, the holders of the preference shares shall be entitled to elect three-sevenths of the members of the board of directors.

The amount required to be set aside for sinking fund purposes out of production prior to April 1, 1965 was $143,335, but this money has not yet been so set aside.

Tundra Gold Mines Limited

STATEMENT OF OPERATIONS

For the year ended March 31, 1966

		1965
Revenue		
Metal production	$1,253,896	$ 955,567
Estimated amount recoverable under the Emergency Gold Mining Assistance Act	339,382	258,138
	1,593,278	1,213,705
Expenditures		
Cost of metal production, including mining, milling, delivery and mint charges	1,165,330	1,003,152
Head office, administrative and general expenses	24,492	21,861
Interest on bank loan	9,175	15,512
	1,198,997	1,040,525
Operating profit before depreciation and debenture interest	394,281	173,180
Deduct:		
Provision for depreciation	206,893	202,736
Debenture interest	70,500	115,821
	277,393	318,557
Net profit or loss () for the year	$ 116,888	($ 145,377)

STATEMENT OF DEFICIT

For the year ended March 31, 1966

		1965
Balance at beginning of year	$3,090,377	$2,945,000
Net profit or loss () for the year	116,888	(145,377)
Balance at end of year	$2,973,489	$3,090,377

Tundra Gold Mines Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended March 31, 1966

		1965
Source of Funds		
Net profit or loss () for the year	$ 116,888	($ 145,377)
Add depreciation and debenture interest not requiring a disbursement of funds during the year		
— depreciation	206,893	202,736
— debenture interest		115,821
	323,781	173,180
Reduction in inventory of mining supplies	62,981	
Other items, net	8,956	1,743
	$ 395,718	$ 174,923
Application of Funds		
Additions to buildings, machinery and equipment	41,563	83,975
Debenture interest payable as at March 31, 1965 now considered a current liability	115,821	
Increase in inventory of mining supplies		130,865
Increase or decrease () in working capital	238,334	(39,917)
	$ 395,718	$ 174,923

WORKING CAPITAL

Net current liabilities — beginning of year	$ 289,756	$ 249,839
Increase or decrease () in working capital	238,334	(39,917)
Net current liabilities — end of year	$ 51,422	$ 289,756

Tundra Gold Mines Limited

Mine Manager's Report

The President and Directors,
Tundra Gold Mines Limited,
Suite 1011, 2200 Yonge Street,
Toronto 7, Ontario.

GENTLEMEN:

A report on the operation of your mine for the fiscal year ending March 31, 1966, is submitted herewith for your consideration.

Summary

Development work was increased during the year and at year end 2,374 feet of drifting, 1,359 feet of raising and 1,402 feet of diamond drilling had been completed. Several interesting sections were encountered and these will be investigated further.

Stope preparations were being carried out on all but the sixth level at the year end. Mining was confined to the Matthews Vein with stoping on all levels being by shrinkage method.

During the summer a new tailings disposal line was constructed and put into operation.

Mill performance was good, with recovery of 95.87% for 53,462 tons milled. Daily tonnage averaged 146.47 as compared with 122.7 the previous year. The tonnage was down from the hoped for figure due to the shortage of miners at times and also a major breakdown in the Cooper-Bessemer diesel unit during October and November.

Three additional two-bedroom trailers were put into service during the summer, bringing the married accommodations up to eight families.

Production

The mill treated 53,462 tons of ore during the year to produce 33,036.682 ounces of gold. The total value of the bullion produced was $1,593,278.00 including $339,382.00 E.G.M.A.

Operating Costs

Detailed mine operating costs are tabulated as follows:

	Per Ton Milled	Per Ounce Recovered
Drifting and Crosscutting	$ 2.32	$ 3.76
Raising	0.25	0.40
Diamond Drilling	0.12	0.19
Stoping	12.08	19.55
Milling	6.47	10.47
Mint Charges and Transportation of Bullion	0.20	0.33
Total Mine Operating Costs before Depreciation	$ 21.44	$ 34.70

Mining

Mining was confined to the Matthews Vein with all stoping done by shrinkage method. No undue difficulties were encountered in emptying the shrinkage stopes in the permafrost area. The

weak hanging wall condition in the North side of the mine has been fairly well brought under control with the dilution cut as much as 100% in some stoping areas. This should reflect in a higher grade from this area, but this will be partly offset by a smaller tonnage produced per man shift, with some extra timbering being necessary.

Milling

Tons Milled	55,462
Average tons milled daily	146.47
Operating time — per cent	96.5
Mill Heads — ounces per ton	0.64
Mill Tails — ounces per ton	0.0264
Mill Recovery — per cent	95.87
Mill Heads @ $35.00 per ounce	$ 22.40
Mill Tails @ $35.00 per ounce	$ 0.92
Fine Ounces Gold Produced	33,036.682
Value of Production	$ 1,253,896.00
E.G.M.A.	$ 339,382.00
Average Price received for Gold	$ 37.71

The highest daily average tonnage in any one month handled during the year was 159.3 tons per day.

Power

The following brief summary covers the Bunker "C" fuel costs for the 750 K.W. Cooper-Bessemer diesel unit and the 150 H.P. Foster Wheeler boiler.

Diesel Unit fuel costs per K.W. Hour	$ 0.025
Boiler fuel costs per 1,000 lbs. of steam	$ 3.11
Total fuel costs per ton of ore milled	$ 2.81

During October and November, we had a breakdown of the Cooper-Bessemer, which curtailed production somewhat, and necessitated approximately $22,000.00 in repairs.

Personnel	April 1/65 to March 31/66	April 1/64 to March 31/65
Average number of employees	76	80

The labour force has been unstable during the year, and at times the underground crew was down by 40%. By the fiscal year end, there were eight families residing at the property.

Freight and Transportation

WINTER TRUCKING: The first trailer truck convoy of the season arrived at the property on January 23, 1966, and the final convoy on April 24, 1966. During that time, 121 truck trailer units arrived at the mine, with a total payload in excess of 2,315 tons. Included in this tonnage was 379,900 Imperial gallons of fuel oil.

AIRCRAFT: During the year, 161 aircraft arrived at the property. Total incoming payloads amounted to 2,400 tons of general freight and over 475 passengers.

I wish to thank the Directors and Officers of the Company, for their help and guidance throughout the year, and to express my sincere appreciation to the staff and employees for their efficient and loyal co-operation.

Respectfully submitted,

TUNDRA GOLD MINES LIMITED,

L. C. DIXON,
Mine Manager.

Yellowknife, N.W.T.,
May 25, 1966.

Tundra Gold Mines Limited

Consulting Engineer's Report

The President and Directors,
Tundra Gold Mines Limited,
Suite 1011, 2200 Yonge Street,
Toronto 7, Ontario.

GENTLEMEN:

Following is our report of ore development and reserves at the Company's property in the Northwest Territories for the fiscal year ending March 31st, 1966.

During the mine's second year of production close supervision of mining crews and the introduction of rigid ground control methods resulted in an overall improvement in stoping of the narrow widths of quartz which characterize the Tundra gold deposits north of the present shaft location. The winning of an economic grade of ore in this section of the mine means sacrificing tonnage but it has bolstered the general outlook for the entire operation.

In the face of serious shortages of underground labour and the demand for an increased number of draw points, the tonnage mined and treated was increased steadily to a 150-tons-per-day rate and is being maintained. Development on the Sixth and Eighth levels south of the shaft, and on the first four levels north of the shaft opened some new ore and extended known shoots in depth. The No. 2 Vein at the extreme south end of the bottom mine level, the Eighth, was exposed for 250 feet in 82S Drift and produced 114 feet averaging 0.667 ounces gold per ton over 4.0 feet in car sampling. As wall rocks appear to be more competent in the No. 2 Vein structure than in Matthews Vein stopes, an acceptable grade of ore is expected to be mined over the four-foot width. Further testing of the ore-making potential of this vein is being carried out through raises and a drift-out programme.

In recent months the full width and grade of quartz in some untested areas about 1,000 feet south of the shaft has been clarified by close diamond drilling of the drift walls. Further drifting and raising on these heretofore obscured portions of the vein is expected to add to the mine ore reserve especially beneath the Second level highgrade 215 Stope extending down through the bottom mine level at 1,225 feet.

The area north of the shaft continues to be good prospecting ground for narrow, highgrade material and, with the recent success in stoping there, should prove to be a substantial ore source in succeeding months. Recent development has produced more reliable indicators of ore grade such as ribbon structure in the quartz veining, and its close relationship with the vertical plunging ore control. The mud seams and strike faults controlling the ore are thought to result from continuation of the

same stresses that produced the ribboning effect, which contains most of the gold in the deposit. The expanding knowledge of ore controls is resulting in better grade mill feed and greater expectations for extending and up-grading ore in place. During the year some 53,462 tons of ore were treated yielding 33,037 ounces of gold, a 30 percent increase over the first year of operation. Grade was 0.64 ounces per ton, only slightly below the grade necessary to sustain the 3,000 ounces per month production objective.

Proven ore reserves in the mine at year end may be summarized as follows:

	1966		1965	
	Tons	Grade	Tons	Grade
Broken in Stopes	23,009	0.60	21,040	0.74
In Place	50,208	0.56	80,000	0.77
Totals	73,217	0.57	101,040	0.76

To the developed ore listed above a possible tonnage from the No. 2 Vein on the Eighth level must be added, as well as the South Zone reserve only partially delineated in the horizontal plane. The developed ore, including broken and in place, approximates one and one-half years' mill feed at the current daily rate.

Respectfully submitted,

Norman W. Byrne, P.Eng.,
Consulting Mining Engineer.

May 25th, 1966,
Yellowknife, N.W.T.